

DECKERVILLE COMMUNITY SCHOOLS

Deckerville, Michigan

Report on Financial Statements

(with additional information)

June 30, 2007

DECKERVILLE COMMUNITY SCHOOLS
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Deckerville Community Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Deckerville Community School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Deckerville Community School District administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007 and June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Fiduciary Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2007 and 2006:

Assets	<u>6/30/07</u>	<u>6/30/06</u>
Current assets	\$3,861,582	\$ 3,383,826
Noncurrent assets	<u>4,654,150</u>	<u>4,883,034</u>
Total assets	<u>\$ 8,515,732</u>	<u>\$ 8,266,860</u>
Liabilities		
Current liabilities	\$ 892,187	\$ 890,731
Long-term liabilities	<u>2,453,098</u>	<u>2,932,798</u>
Total liabilities	3,345,285	3,7823,520
Net Assets		
Invested in capital assets, net of related debt	2,248,325	2,173,108
Restricted for debt service	542,330	424,698
Unrestricted	<u>2,379,792</u>	<u>1,845,534</u>
Total net assets	5,170,447	4,443,340
Total liabilities and net assets	<u>\$ 8,515,732</u>	<u>\$ 8,266,860</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2007, the District's net assets increased by \$727,108. A few of the more significant factors affecting net assets during the year are discussed below.

1. Early Retirement Incentives

For the year ended June 30, 2006, the School District approved Early Retirement Incentives for 15 employees totaling \$450,000. The amounts of \$10,000 per year per employee will be paid over a three year period. The entire amount was recorded as a liability of the school district.

2. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$256,616 was recorded for depreciation expense.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2007, \$41,441 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

Results of Operations

For the fiscal year ended June 30, 2007 and 2006, the results of operations, on a District-wide basis, were:

	<u>Year Ended June 30, 2007</u>		<u>Year Ended June, 30, 2006</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
General Revenues				
Property Taxes	\$1,657,741	23.49%	\$1,398,370	20.27%
Investment earnings	130,740	1.85%	70,702	1.02%
State sources	4,532,799	64.22%	4,644,062	67.29%
Other	<u>90,131</u>	<u>1.28%</u>	<u>134,021</u>	<u>1.94%</u>
Total general revenues	6,411,411	90.84%	6,247,155	90.52%
Program Revenues				
Charges for services	185,093	2.62%	190,792	2.76%
Operating grants	<u>461,913</u>	<u>6.54%</u>	<u>464,094</u>	<u>6.72%</u>
Total revenues	7,058,417	100.00%	6,902,041	100.00%
Expenses				
Instruction	3,371,107	53.25%	4,353,005	57.95%
Support services	2,049,046	32.36%	2,153,576	28.67%
Community services	81,226	1.28%	140,360	1.87%
Food services	319,765	5.05%	328,111	4.37%
Athletics	202,827	3.20%	200,826	2.67%
Interest on long-term debt	42,231	0.67%	50,586	.67%
Amortization	8,491	0.13%	8,491	.11%
Unallocated depreciation expense	<u>256,616</u>	<u>4.06%</u>	<u>277,265</u>	<u>3.69%</u>
Total expenses	6,331,309	100.00%	7,512,220	100.00%
Increase (decrease) in net assets	<u>\$ 727,108</u>		<u>\$ (610,179)</u>	

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levied 16.8858 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the district levied \$1,119,512 non-homestead property taxes. This represented a decrease of .02% from the prior year. The amount of unpaid property taxes at June 30, 2007, less an estimate for those deemed to be un-collectible, was \$3,000.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2006 – 2007	\$1,119,512	(0.02%)
2005 – 2006	\$1,121,761	11.00%
2004 – 2005	1,010,606	6.29%
2003 – 2004	950,819	2.52%
2002 – 2003	927,483	7.72%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2006 – 2007 fiscal year, the District's foundation allowance was \$7,085 per student FTE, which represented a 3.05% increase over the amount received for the 2005 – 2006 fiscal year.

3. Student Enrollment

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2006 – 2007	734
2005 – 2006	772
2004 – 2005	798
2003 – 2004	826
2002 – 2003	851

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state and other grants accounted for \$461,913. This represents a decrease of \$2,181 over the total grant sources received for the 2005 -- 2006 fiscal year.

5. Interest Earnings

The District received interest on its investments in the amount of \$130,740 for the fiscal year ended June 30, 2007. With interest rates rising from a historic low, interest revenues are up from the prior fiscal year by \$60,038.

6. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

	<u>2006-2007</u> <u>Fiscal Year</u>	<u>2005-2006</u> <u>Fiscal Year</u>	<u>Increase</u> <u>(Decrease)</u>
Expenditures			
Instruction	\$3,565,464	\$3,869,002	(\$303,538)
Supporting services	2,031,783	2,196,088	(164,305)
Community services	81,226	140,360	(59,134)
Food service activities	322,782	328,111	(5,329)
Athletic activities	202,827	200,826	2,001
Capital Outlay	0	0	0
Debt Service	<u>364,507</u>	<u>373,866</u>	<u>(9,359)</u>
Total expenditures	<u>\$6,568,589</u>	<u>\$7,108,253</u>	<u>(\$539,664)</u>

Deckerville Community Schools
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2006 – 2007 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2007. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	<u>\$6,101,672</u>	<u>\$6,152,213</u>	<u>\$6,260,953</u>	<u>\$108,740</u>	<u>1.8%</u>
Expenditures					
Instruction	3,380,229	3,515,798	3,565,464	(49,666)	(1.4%)
Supporting services	2,249,648	2,032,276	2,031,783	493	0.02%
Community services	<u>129,434</u>	<u>80,202</u>	<u>81,226</u>	<u>(1,024)</u>	<u>(1.26%)</u>
Total expenditures	<u>\$5,759,311</u>	<u>\$5,628,276</u>	<u>\$5,678,473</u>	<u>\$(50,197)</u>	<u>(0.9%)</u>

Capital Asset and Debt Administration

Capital Assets

By the end of the 2006– 2007 fiscal year, the district had invested \$7,784,671 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$7,466 over the prior fiscal year. Depreciation expense for the year amounted to \$256,616, bringing the accumulation to \$3,155,992 as of June 30, 2007.

Long- term Debt

At June 30, 2007, the District had \$2,936,914 in debt outstanding. This represents a decrease of \$469,030 over the amount outstanding at the close of the prior fiscal year.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007 – 2008 fiscal year. The early indication is that the foundation allowance will not be finalized until well into the school year which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance and retirement benefits
- The contract with the Deckerville Community Schools Education Association, the union that represents the teaching staff, expires August 22, 2008.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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August 15, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Deckerville Community Schools
Deckerville, Michigan 48427

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Deckerville Community School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2007 on our consideration of Deckerville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Education
Deckerville Community Schools
August 15, 2007

The management's discussion and analysis and budgetary comparison information on pages i through vii and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Deckerville Community Schools' basic financial statements. The additional information on pages 23 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

CURRENT ASSETS:	
Cash	\$ 1,081,914
Investments	1,949,155
Accounts receivable	23,256
Due from other governmental units	760,371
Due from other funds	43,886
Property taxes receivable	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>3,861,582</u>
NONCURRENT ASSETS:	
Deferred charges on debt refunding	50,944
Amortization of bond issuance cost	(25,473)
Capital assets	7,784,671
Less accumulated depreciation	<u>(3,155,992)</u>
TOTAL NONCURRENT ASSETS	<u>4,654,150</u>
TOTAL ASSETS	<u>\$ 8,515,732</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 128
Accrued salaries & wages	268,689
Deferred revenue	7,854
Accrued payroll taxes	125,700
Accrued interest	6,000
Current portion of early retirement incentives	150,000
Current portion of long term debt	<u>333,816</u>
TOTAL CURRENT LIABILITIES	<u>892,187</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of compensated absences	231,089
Noncurrent portion of early retirement incentives	150,000
Noncurrent portion of long term debt	<u>2,072,009</u>
TOTAL NONCURRENT LIABILITIES	<u>2,453,098</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,248,325
Restricted for debt service	542,330
Unrestricted	<u>2,379,792</u>
TOTAL NET ASSETS	<u>5,170,447</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,515,732</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,371,107		\$ 169,732	\$ (3,201,375)
Support services	2,049,046		113,155	(1,935,891)
Community services	81,226	\$ 800		(80,426)
Food services	319,765	132,358	179,026	(8,381)
Athletics	202,827	51,935		(150,892)
Interest on long-term debt	42,231		-	(42,231)
Amortization	8,491			(8,491)
Unallocated depreciation	256,616			(256,616)
Total governmental activities	<u>\$ 6,331,309</u>	<u>\$ 185,093</u>	<u>\$ 461,913</u>	(5,684,303)
General revenues:				
Property taxes, levied for general purposes				1,261,964
Property taxes, levied for debt service				395,777
State of Michigan school aid unrestricted				4,532,799
Investment revenue				130,740
Miscellaneous				90,131
Total general revenue				<u>6,411,411</u>
Change in net assets				727,108
Net assets, beginning of year				<u>4,443,339</u>
Net assets, end of year				<u>\$ 5,170,447</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>GENERAL FUND</u>	<u>QZAB BOND PROGRAM</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash	\$ 991,518		\$ 90,396	\$ 1,081,914
Investments	1,401,067	\$ 456,918	91,170	1,949,155
Accounts receivable	256		23,000	23,256
Due from other governmental units	760,371			760,371
Due from other funds	43,886			43,886
TOTAL ASSETS	<u>\$ 3,197,098</u>	<u>\$ 456,918</u>	<u>\$ 204,566</u>	<u>\$ 3,858,582</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 128	\$ -	\$ -	\$ 128
Accrued salaries & wages	268,689			268,689
Due to other funds		-	-	-
Deferred revenue	7,854	-	-	7,854
Accrued payroll taxes	125,700	-	-	125,700
TOTAL LIABILITIES	<u>402,371</u>	<u>-</u>	<u>-</u>	<u>402,371</u>
FUND BALANCE:				
Unreserved:				
Designated for compensated absences	696,018			696,018
Undesignated	2,098,709		113,154	2,211,863
Reserved for debt retirement		456,918	91,412	548,330
TOTAL FUND BALANCE	<u>2,794,727</u>	<u>456,918</u>	<u>204,566</u>	<u>3,456,211</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,197,098</u>	<u>\$ 456,918</u>	<u>\$ 204,566</u>	<u>\$ 3,858,582</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds **\$ 3,456,211**

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of capital assets is: 7,784,671
Accumulated depreciation is: (3,155,992)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable: (2,405,825)
Early retirement incentives (300,000)
Compensated absences (231,089)
Accrued interest is not included as a liability
in governmental funds; it is recorded when paid: (6,000)

Deferred charges for bond refunding 50,944

Amortization of bond issuance costs (25,473)

Balance of taxes receivable at 6/30/07 less allowance for doubtful
accounts 3,000

Net Assets of Governmental Activities **\$ 5,170,447**

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>GENERAL FUND</u>	<u>QZAB BOND PROGRAM</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:				
Local sources				
Property tax	\$ 1,261,964		\$ 395,777	\$ 1,657,741
Interest income	121,996		8,744	130,740
Food sales and athletic admissions			184,293	184,293
Other	84,948		5,983	90,931
State sources	4,509,158		23,641	4,532,799
Federal sources	282,887		179,026	461,913
TOTAL REVENUES	<u>6,260,953</u>	<u>-</u>	<u>797,464</u>	<u>7,058,417</u>
EXPENDITURES:				
Instruction	3,565,464			3,565,464
Supporting services	2,031,783			2,031,783
Community services	81,226			81,226
Food services activities			322,782	322,782
Athletic activities			202,827	202,827
Capital outlay			-	-
Debt service:			-	-
Principal retirement			320,000	320,000
Interest			43,554	43,554
Other			953	953
TOTAL EXPENDITURES	<u>5,678,473</u>	<u>-</u>	<u>890,116</u>	<u>6,568,589</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>582,480</u>	<u>-</u>	<u>(92,652)</u>	<u>489,828</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds		\$ 76,153	143,532	219,685
Payment to ISD	(5,143)			(5,143)
Transfer to other funds	(219,685)			(219,685)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(224,828)</u>	<u>76,153</u>	<u>143,532</u>	<u>(5,143)</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>357,652</u>	<u>76,153</u>	<u>50,880</u>	<u>484,685</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,437,075</u>	<u>380,765</u>	<u>153,686</u>	<u>2,971,526</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,794,727</u>	<u>\$ 456,918</u>	<u>\$ 204,566</u>	<u>\$ 3,456,211</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances - governmental funds **\$ 484,685**

Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However,
in the statement of activities, the cost of these assets are allocated over their
useful lives as depreciation:

Depreciation expense	(256,616)
Amortization	(8,491)
Capital outlay	41,441
Loss on Disposal of Assets	(5,218)

Accrued interest on bonds is recorded in the statement of activities when
incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	8,276
Accrued interest payable at the end of the year	(6,000)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	323,180
---	---------

Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it is an increase of liabilities)	(19,078)
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Early retirement incentives are reported on the accrual method in the statement
of activities and recorded as an expenditure when due in the governmental funds:

Accrued early retirement incentives beginning of the year	450,000
Accrued early retirement incentives end of the year	(300,000)

Compensated absences are reported on the accrual method in the statement
of activities and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	246,018
Accrued compensated absences end of the year	(231,089)

Revenue is recorded on the accrual method in the statement of activities; in the
governmental funds it is recorded on the modified accrual method and not
considered available:

Accrued revenue at the beginning of the year	(3,000)
Accrued revenue at the end of the year	3,000

Change in net assets of governmental activities	\$ 727,108
--	-------------------

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2007

	<u>AGENCY FUNDS</u>
CURRENT ASSETS	
Cash	\$ 121,887
TOTAL ASSETS	<u>\$ 121,887</u>
 LIABILITIES	
Due to general fund	\$ 43,886
Due to student organizations	<u> 78,001</u>
TOTAL LIABILITIES	<u>\$ 121,887</u>

The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1915 and presently covers approximately 170 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 734 students.

The basic financial statements of the Deckerville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Deckerville Community Schools (the "District") is governed by the Deckerville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS:

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *QZAB debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *1995 & Durant debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

OTHER NON-MAJOR FUNDS, (Continued):

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Foundation Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the blended pupil membership counts taken in February and September of the last three years.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 - August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

State Categorical Revenue:

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$102,818 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

ASSETS, LIABILITIES AND EQUITY, (Continued):

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund - Non Homestead	16.8858
1995 Debt Service Fund – Homestead and non-homestead	2.1000

4. Inventories and Prepaid items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

6. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

7. Compensated Absences.

Teachers with ten years or more of consecutive service will be paid \$38 per day for unused sick days if they leave the district. Each teacher shall be credited with eleven sick leave days at the beginning of each school year that can be accumulated to one hundred eighty days. All unused sick leave days in excess of one hundred eighty days shall be paid to the teacher at the end of the school year on the basis of \$38 per day.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

ASSETS, LIABILITIES AND EQUITY, (Continued):

Other employee groups have contracts with negotiated sick leave benefits at varying levels. The long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

8. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

9. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

11. Memorandum only - Total Column.

The total column on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

12. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended, supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Total expenditures for the year exceeded the final budget by \$50,197 and total other financing uses exceeded the final budget by \$1,027. These are violations of the budgeting act.

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Maturity (Years)	& Poor's Rating	%
MILAF External pool - MICMS	92,031	0.0027	AAAm	4.7%
MILAF External pool - MIMAX	1,400,206	0.0027	AAAm	71.9%
Guaranteed Investment Contract (GIC)	456,918	2.1000	A1+	23.4%
Total fair value	<u>\$ 1,949,155</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.4933</u>		

1 day maturity equals 0.0027, one year equals 1.00

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2007, the carrying amount of the District's deposits was \$1,203,401 and the bank balance was \$1,304,779. Of the bank balance, \$300,863 was covered by federal deposit insurance while the remaining bank balance of \$1,003,916 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 8.

The Investment Agreement, dated as of April 12, 2001, by and among LaSalle Bank, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia, as guarantor of the Provider's obligations under this Investment Agreement.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$121,887	\$ 1,203,801
Investments	<u>1,949,155</u>
	<u>\$ 3,152,956</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 1,081,914
Fiduciary Funds	121,887
Investments - District wide	<u>1,949,155</u>
	<u>\$ 3,152,956</u>

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34% for September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2007, 2006, and 2005 were \$574,222, \$628,126, and \$533,804, respectively, and were equal to the required contribution for the year.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

The Trust & Agency Fund is the custodian for several accounts that are considered school district funds, the balance of which is payable to the General Fund.

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$43,886	
Trust & Agency Fund	<u> </u>	<u>\$43,886</u>
Total	<u>\$43,886</u>	<u>\$43,886</u>

NOTE 7 - LONG-TERM DEBT:

During the year ended June 30, 2004 the District refinanced the 1995 bonds. New general obligation bonds were issued at a premium after paying issuance costs of \$65,083, the net proceeds were \$2,254,517. The net proceeds from the issuance of the general obligation bonds along with \$185,000 from the District's Debt Retirement Fund were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on May 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$351,368, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$285,694.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 7 - LONG-TERM DEBT, (Continued):

The following is a summary of the long-term debt of the school district for the year ended June 30, 2007:

	<u>SERIAL BONDS</u>
Balance payable - July 1, 2006	\$3,405,944
Increase in accumulated compensated absences	(14,929)
Increase in early retirement incentives	(150,000)
Durant payment	None
Bonds paid	(320,000)
Increase in capital lease obligations	19,079
Capital lease payments	<u>(3,180)</u>
Balance payable June 30, 2007	<u>\$2,936,914</u>

As of June 30, 2007, the school district had the following long-term debt outstanding:

1998 Durant bonds; 4.76% interest.	\$ 34,926
QZAB Bonds; no interest	\$ 990,000
2004 Refunding Bonds; interest rates from 2.0% to 2.8%	\$1,365,000
Early retirement incentives	\$ 300,000
Compensated absences	\$ 231,089
Capital lease obligations	\$ 15,899

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 333,816	\$ 35,954	\$ 369,770
2009	342,121	28,569	370,690
2010	352,278	19,618	371,896
2011	362,442	10,483	372,925
2012	4,435	370	4,805
2013	20,733	<u>7,285</u>	28,018
2014	990,000		990,000
Accumulated early retirement incentives	300,000		300,000
Accumulated compensated absences	<u>231,089</u>		<u>231,089</u>
TOTAL	<u>\$2,936,914</u>	<u>\$102,279</u>	<u>\$3,039,193</u>

An amount of \$548,330 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2007 was \$43,554.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 8 – QZAB FUND:

On April 12, 2001 the District borrowed \$990,000 through the Qualified Zone Academy Bond Program for the purpose of partially remodeling, equipping and re-equipping existing school facilities. The bonds are to be repaid with twelve annual installments of \$76,153 commencing on April 12, 2002 and a final installment of \$76,164 on April 12, 2014, being paid into a Trust Account to provide the funds to repay the bond principal in one payment of \$990,000 on April 14, 2014. The bonds are interest-free and the balance on June 30, 2005 is \$990,000. The balance in this trust account at June 30, 2007 is \$ 456,918.

NOTE 9 – TRANSFERS:

The general fund during the current fiscal year transferred \$143,532 to the athletic fund to subsidize operations and \$76,153 to the QZAB debt retirement fund to fund the annual payment.

NOTE 10 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>
Capital assets:				
Buildings and additions	\$5,763,044		\$31,375	\$5,731,669
Technology	241,463	\$ 30,440		271,903
Athletic equipment	469,887			469,887
General equipment	520,771	11,001	2,600	529,172
Transportation equipment	<u>782,040</u>	<u>-</u>	<u>-</u>	<u>782,040</u>
Subtotal	7,777,205	41,441	33,975	7,784,671
Accumulated depreciation:	<u>(2,928,133)</u>	<u>(256,616)</u>	<u>28,757</u>	<u>(3,155,992)</u>
Net capital assets	<u>\$4,849,072</u>	<u>\$(215,175)</u>	<u>\$(5,218)</u>	<u>\$4,628,679</u>

Depreciation expense was charged as unallocated to the governmental activities in the amount of \$256,616.

REQUIRED SUPPLEMENTARY INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2007

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Local sources	\$ 1,256,489	\$ 1,410,866	\$ 1,468,908	\$ 58,042
State sources	4,596,196	4,502,242	4,509,158	6,916
Federal sources	248,987	239,105	282,887	43,782
TOTAL REVENUES	6,101,672	6,152,213	6,260,953	108,740
EXPENDITURES:				
Instruction	3,380,229	3,515,798	3,565,464	(49,666)
Supporting services	2,249,648	2,032,276	2,031,783	493
Community services	129,434	80,202	81,226	(1,024)
Principal retirement				-
TOTAL EXPENDITURES	5,759,311	5,628,276	5,678,473	(50,197)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	342,361	523,937	582,480	58,543
OTHER FINANCING SOURCES (USES):				
Transfer to Athletic Fund	(134,871)	(142,748)	(143,532)	(784)
Payment to ISD	(4,900)	(4,900)	(5,143)	(243)
Transfer to QZAB Bond Program	(76,153)	(76,153)	(76,153)	-
TOTAL OTHER FINANCING SOURCES (USES)	(215,924)	(223,801)	(224,828)	(1,027)
EXCESS OF REVENUES OVER EXPEN- DITURES & OTHER SOURCES (USES)	126,437	300,136	357,652	57,516
FUND BALANCE - BEGINNING OF YEAR	2,437,075	2,437,075	2,437,075	
FUND BALANCE - END OF YEAR	\$ 2,563,512	\$ 2,737,211	\$ 2,794,727	\$ 57,516

ADDITIONAL INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2007

			<u>TOTAL</u>
	<u>SPECIAL</u>	<u>DEBT</u>	
<u>ASSETS</u>	<u>REVENUE</u>	<u>SERVICE</u>	<u>2006</u>
CURRENT ASSETS			
Cash	\$ 90,154	\$ 242	\$ 90,396
Investments		91,170	91,170
Accounts receivable	23,000		23,000
	<u>113,154</u>	<u>91,412</u>	<u>204,566</u>
TOTAL ASSETS	<u>\$ 113,154</u>	<u>\$ 91,412</u>	<u>\$ 204,566</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	-		-
Due to other funds	-		-
Deferred revenue	-		-
Accrued payroll taxes	-		-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Unreserved:			
Designated for debt retirement		\$ 91,412	\$ 91,412
Undesignated	\$ 113,154		113,154
	<u>113,154</u>	<u>91,412</u>	<u>204,566</u>
TOTAL FUND BALANCE	<u>113,154</u>	<u>91,412</u>	<u>204,566</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 113,154</u>	<u>\$ 91,412</u>	<u>\$ 204,566</u>

DECKERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2007

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL 2006</u>
REVENUES:			
Local sources			
Property tax		\$ 395,777	\$ 395,777
Interest income	\$ 811	7,933	8,744
Food sales and athletic admissions	184,293		184,293
Other	5,983	-	5,983
State sources	23,641	-	23,641
Federal sources	179,026		179,026
TOTAL REVENUES	<u>393,754</u>	<u>403,710</u>	<u>797,464</u>
EXPENDITURES:			
Food services activities	322,782		322,782
Athletic activities	202,827		202,827
Capital outlay			-
Debt service:			
Principal retirement		320,000	320,000
Interest		43,554	43,554
Other		953	953
TOTAL EXPENDITURES	<u>525,609</u>	<u>364,507</u>	<u>890,116</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(131,855)	39,203	(92,652)
OTHER FINANCING SOURCES:			
Transfers from other funds	143,532	-	143,532
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	11,677	39,203	50,880
FUND BALANCE - JULY 1	<u>101,477</u>	<u>52,209</u>	<u>153,686</u>
FUND BALANCE - JUNE 30	<u>\$ 113,154</u>	<u>\$ 91,412</u>	<u>\$ 204,566</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax	\$ 1,261,951	\$ 1,261,964	\$ 13
Interest income	96,511	121,996	25,485
Tuition and fees	800	800	-
Rental of building	1,374	1,729	355
Transfer from Student Activities	2,804	2,803	(1)
Other	47,426	79,616	32,190
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,410,866</u>	<u>1,468,908</u>	<u>58,042</u>
REVENUE FROM STATE SOURCES:			
State aid	4,346,803	4,346,790	(13)
Drivers education	-	-	-
Preschool program	36,300	38,875	2,575
Other State Grants	119,139	123,493	4,354
TOTAL REVENUE FROM STATE SOURCES	<u>4,502,242</u>	<u>4,509,158</u>	<u>6,916</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	142,470	157,503	15,033
Title VI	-	-	-
IDEA Project #060450-0506	33,200	33,200	-
Title II	59,310	59,310	-
Title V	2,194	2,194	-
Other Federal Grants	1,931	30,680	28,749
TOTAL REVENUE FROM FEDERAL SOURCES	<u>239,105</u>	<u>282,887</u>	<u>43,782</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 6,152,213</u>	<u>\$ 6,260,953</u>	<u>\$ 108,740</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary			
Professional Salaries	\$ 858,186	\$ 842,735	\$ 15,451
Non-Professional Salaries	69,588	69,003	585
Benefits	312,355	314,446	(2,091)
FICA & Retirement	226,086	224,332	1,754
Purchased Services	17,200	15,766	1,434
Supplies	16,152	29,723	(13,571)
Capital Outlay	34,894	35,010	(116)
Miscellaneous	<u>1,031</u>	<u>1,090</u>	<u>(59)</u>
Total Elementary	<u>1,535,492</u>	<u>1,532,105</u>	<u>3,387</u>
Secondary			
Professional Salaries	796,741	794,656	2,085
Non-Professional Salaries	22,362	22,264	98
Benefits	250,300	258,058	(7,758)
FICA & Retirement	202,284	197,644	4,640
Purchased Services	36,292	35,785	507
Supplies	15,747	53,341	(37,594)
Capital Outlay	2,079	2,194	(115)
Miscellaneous	<u>2,100</u>	<u>2,030</u>	<u>70</u>
Total Secondary	<u>1,327,905</u>	<u>1,365,972</u>	<u>(38,067)</u>
Added Needs:			
Technology Literacy Grant			
Purchased Services	364	364	-
Supplies	<u>1,091</u>	<u>1,091</u>	<u>-</u>
Total Technology Literacy Grant	<u>1,455</u>	<u>1,455</u>	<u>-</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
IDEA Project #060450-0506:			
Professional Salaries	\$26,477	\$26,477	-
Benefits	-	-	-
FICA & Retirement	6,723	6,723	-
Total IDEA:	33,200	33,200	-
Special Education & Speech Therapy:			
Professional Salaries	130,076	128,671	\$ 1,405
Non-Professional Salaries	25,096	25,060	36
Benefits	59,600	60,466	(866)
FICA & Retirement	32,083	32,335	(252)
Purchased Services	1,505	1,471	34
Supplies	2,260	2,259	1
Capital Outlay	188	188	-
Total Special Education & Speech Therapy:	250,808	250,450	358
Gifted and Talented:			
Professional Salaries	950	1,200	(250)
FICA & Retirement	242	305	(63)
Purchased Services	1,343	1,342	1
Supplies	-	-	-
Miscellaneous	-	-	-
Total Gifted and Talented	2,535	2,847	(312)
Compensatory Education (Title I):			
Professional Salaries	61,643	76,676	(15,033)
Non-Professional Salaries	32,371	32,370	1
Benefits	17,501	17,502	(1)
FICA & Retirement	23,236	23,236	-
Purchased Services	4,144	4,144	-
Supplies	2,975	2,975	-
Miscellaneous	600	600	-
Total Compensatory Education	142,470	157,503	(15,033)

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
Title V:			
Purchased Services	-	-	-
Supplies	\$ 2,194	\$ 2,194	-
Total Title V	<u>2,194</u>	<u>2,194</u>	<u>-</u>
Compensatory Education (At-Risk):			
Professional Salaries	74,286	74,285	\$ 1
Non-Professional Salaries	49,117	49,116	1
Benefits	4,945	4,945	-
FICA & Retirement	30,876	30,877	(1)
Purchased Services	-	-	-
Supplies	-	-	-
Capital Outlay	2,660	2,660	-
Total Compensatory Education (At-Risk):	<u>161,884</u>	<u>161,883</u>	<u>1</u>
Title II, Part A:			
Professional Salaries	43,718	43,718	-
Benefits	-	-	-
FICA & Retirement	11,101	11,101	-
Payment to I.S.D.	3,036	3,036	-
Purchased Services	-	-	-
Total Title II, Part A	<u>57,855</u>	<u>57,855</u>	<u>-</u>
Adult Continuing Education:			
Non-Professional Salaries	-	-	-
Benefits	-	-	-
FICA & Retirement	-	-	-
Purchased Services	-	-	-
Total Adult Continuing Education	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INSTRUCTION:	<u>3,515,798</u>	<u>3,565,464</u>	<u>(49,666)</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries	\$53,361	\$53,359	\$ 2
Non-Professional Salaries	13,497	13,496	1
Benefits	5,873	11,637	(5,764)
FICA & Retirement	16,587	16,437	150
Purchased Services	1,249	1,184	65
Supplies	1,803	1,800	3
Capital Outlay	3,319	3,319	-
Total Guidance Services	<u>95,689</u>	<u>101,232</u>	<u>(5,543)</u>
Drug Education			
Purchased Services	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Drug Education	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Library			
Professional Salaries	8,054	8,053	1
Non-Professional Salaries	38,277	38,277	-
Benefits	12,408	12,393	15
FICA & Retirement	10,012	9,702	310
Purchased Services	4,323	4,323	-
Supplies	7,688	7,609	79
Capital Outlay	-	-	-
Total Library	<u>80,762</u>	<u>80,357</u>	<u>405</u>
General Administration:			
Professional Salaries	167,163	167,057	106
Non-Professional Salaries	29,649	29,649	-
Insurance Benefits	39,499	39,498	1
FICA & Retirement	52,207	50,960	1,247
Other Benefits	23,129	23,129	-
Purchased Services	21,453	19,248	2,205
Supplies	3,577	3,521	56
Capital Outlay	-	-	-
Miscellaneous	3,438	3,437	1
Total General Administration	<u>340,115</u>	<u>336,499</u>	<u>3,616</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
School Administration:			
Professional Salaries	\$ 159,177	\$ 159,177	-
Non-Professional Salaries	67,911	68,005	\$ (94)
Insurance Benefits	57,831	57,831	-
FICA & Retirement	62,988	62,256	732
Other Benefits	29,946	29,946	-
Purchased Services	4,204	4,119	85
Supplies	5,500	5,367	133
Capital Outlay	111	111	-
Miscellaneous	-	-	-
Total School Administration	<u>387,668</u>	<u>386,812</u>	<u>856</u>
Business - Fiscal Services:			
Salaries	54,621	54,620	1
FICA & Retirement	13,908	13,734	174
Benefits	18,771	18,771	-
Purchased Services	41,787	41,781	6
Total Business - Fiscal Services	<u>129,087</u>	<u>128,906</u>	<u>181</u>
Business - Other Business Services:			
Capital Outlay	<u>35,189</u>	<u>35,189</u>	<u>-</u>
Total Other Business Services	<u>35,189</u>	<u>35,189</u>	<u>-</u>
Operation of Plant:			
Professional Salaries	39,065	39,065	-
Non-Professional Salaries	127,368	130,232	(2,864)
Benefits	61,701	61,708	(7)
FICA & Retirement	46,783	46,726	57
Purchased Services	81,396	78,754	2,642
Supplies	144,288	142,629	1,659
Capital Outlay	4,867	4,854	13
Miscellaneous	-	-	-
Total Operation of Plant	<u>505,468</u>	<u>503,968</u>	<u>1,500</u>
Pupil Transportation:			
Professional Salaries	44,146	44,146	-
Non-Professional Salaries	166,033	165,056	977
Benefits	54,872	54,881	(9)
FICA & Retirement	56,893	53,677	3,216
Purchased Services	15,295	14,492	803
Supplies	63,822	62,941	881
Capital Outlay	253	253	-
Miscellaneous	13,701	13,618	83
Total Pupil Transportation	<u>415,015</u>	<u>409,064</u>	<u>5,951</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Central Services:			
Professional Salaries	-	\$ 3,700	\$ (3,700)
Purchased Services	\$ 2,200	2,276	(76)
Total Central Services	2,200	5,976	(3,776)
Student Activities:			
Professional Salaries	8,163	10,358	(2,195)
Non-Professional Salaries	8,112	8,111	1
Benefits	3,744	3,744	-
FICA & Retirement	4,142	4,673	(531)
Total Student Activities	24,161	26,886	(2,725)
Support for Agency Funds			
Non-Professional Salaries	8,112	8,111	1
Benefits	3,744	3,744	-
FICA & Retirement	2,066	2,039	27
Total Support for Agency Funds	13,922	13,894	28
TOTAL SUPPORTING SERVICES	<u>2,032,276</u>	<u>2,031,783</u>	<u>493</u>
COMMUNITY SERVICES			
Driver's Education			
Professional Salaries	127	126	1
FICA & Retirement	13	13	-
Purchased Services	-	-	-
Supplies	-	-	-
Total Driver's Education	140	139	1
Summer Programs			
Professional Salaries	4,788	4,865	(77)
Non-Professional Salaries	7,142	7,841	(699)
FICA & Retirement	2,082	2,243	(161)
Supplies	34	33	1
Miscellaneous	-	-	-
Total Summer Programs	<u>14,046</u>	<u>14,982</u>	<u>(936)</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES, (Continued):			
State-Funded Pre-School			
Professional Salaries	\$ 25,893	\$ 25,893	-
Non-Professional Salaries	25,014	25,013	\$ 1
Benefits	1,066	1,206	(140)
FICA & Retirement	12,744	12,695	49
Purchased Services	28	28	-
Supplies	445	444	1
Capital Outlay	-	-	-
Miscellaneous	826	826	-
	<u>66,016</u>	<u>66,105</u>	<u>(89)</u>
Total State-Funded Pre-School			
	<u>66,016</u>	<u>66,105</u>	<u>(89)</u>
TOTAL COMMUNITY SERVICES	<u>80,202</u>	<u>81,226</u>	<u>(1,024)</u>
OTHER FINANCING USES:			
Transfer to Athletic fund	142,748	143,532	(784)
Payment to ISD	4,900	5,143	(243)
Transfer to QZAB Bond Program	76,153	76,153	-
	<u>76,153</u>	<u>76,153</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,852,077</u>	<u>\$ 5,903,301</u>	<u>\$ (51,224)</u>

DECKERVILLE COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>
<u>ASSETS</u>			
Cash in bank	\$ 89,858	\$ 296	\$ 90,154
Accounts Receivable	23,000	-	23,000
Due from other funds	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 112,858</u>	<u>\$ 296</u>	<u>\$ 113,154</u>
 <u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Accounts Payable	-	-	-
Due to other funds	-	-	-
Deferred Income	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	-	-	-
 FUND BALANCE	 <u>\$ 112,858</u>	 <u>\$ 296</u>	 <u>\$ 113,154</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 112,858</u>	<u>\$ 296</u>	<u>\$ 113,154</u>

DECKERVILLE COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Local Sources:					
Sale of meals & milk	\$ 132,358		\$ 132,358	\$ 132,243	\$ 115
Admissions		\$ 51,935	51,935	51,935	-
Interest	777	34	811	811	-
Sale of supplies			-		-
Other	<u>123</u>	<u>5,860</u>	<u>5,983</u>	<u>5,982</u>	<u>1</u>
Total Local Sources	<u>133,258</u>	<u>57,829</u>	<u>191,087</u>	<u>190,971</u>	<u>116</u>
State Sources:					
State Lunch Aid	23,641		23,641	23,641	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total State Sources	<u>23,641</u>	<u>-</u>	<u>23,641</u>	<u>23,641</u>	<u>-</u>
Federal Sources:					
National School Lunch Program	163,821		163,821	163,822	(1)
USDA Commodities	<u>15,205</u>	<u>-</u>	<u>15,205</u>	<u>-</u>	<u>15,205</u>
Total Federal Sources	<u>179,026</u>	<u>-</u>	<u>179,026</u>	<u>163,822</u>	<u>15,204</u>
TOTAL REVENUE	<u>335,925</u>	<u>57,829</u>	<u>393,754</u>	<u>378,434</u>	<u>15,320</u>
EXPENDITURES:					
School Service Activities:					
Professional salaries	65,536	107,124	172,660	65,936	(106,724)
Employee benefits	23,536	30,678	54,214	23,541	(30,673)
Federal free food	140,232		140,232	126,108	(14,124)
Purchased services	72,338	23,870	96,208	96,325	117
Supplies & other costs	12,365	3,677	16,042	16,540	498
Capital Outlay	5,447	19,496	24,943	24,946	3
Miscellaneous	<u>3,328</u>	<u>17,982</u>	<u>21,310</u>	<u>21,189</u>	<u>(121)</u>
TOTAL EXPENDITURES	<u>322,782</u>	<u>202,827</u>	<u>525,609</u>	<u>374,585</u>	<u>(151,024)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,143</u>	<u>(144,998)</u>	<u>(131,855)</u>	<u>3,849</u>	<u>(135,704)</u>
OTHER FINANCING SOURCES:					
Transfers from General Fund		143,532	143,532	5,500	138,032
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	<u>13,143</u>	<u>(1,466)</u>	<u>11,677</u>	<u>\$ 9,349</u>	<u>\$ 2,328</u>
FUND BALANCE - JULY 1	<u>99,715</u>	<u>1,762</u>	<u>101,477</u>		
FUND BALANCE - JUNE 30	<u>\$ 112,858</u>	<u>\$ 296</u>	<u>\$ 113,154</u>		

DECKERVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
<u>ASSETS</u>				
Cash in bank		\$ 242	\$ -	\$ 242
Investments	\$ 456,918	91,170	-	548,088
TOTAL ASSETS	<u>\$ 456,918</u>	<u>\$ 91,412</u>	<u>\$ -</u>	<u>\$ 548,330</u>
<u>LIABILITIES & FUND BALANCE</u>				
Reserved for debt service	\$ 456,918	\$ 91,412	\$ -	\$ 548,330
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 456,918</u>	<u>\$ 91,412</u>	<u>\$ -</u>	<u>\$ 548,330</u>

DECKERVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2007

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:				
Local Sources:				
Current tax levy		\$ 395,777		\$ 395,777
Miscellaneous		-		-
Interest on investments		7,933		7,933
Total Local Sources		403,710		403,710
State Sources			\$ -	-
TOTAL REVENUES		403,710	-	403,710
EXPENDITURES:				
Bond principal		320,000	-	320,000
Bond interest		43,554	-	43,554
Bond fees and charges		225	-	225
Tax abatement		728	-	728
TOTAL EXPENDITURES		364,507	-	364,507
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES		39,203	-	39,203
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	\$ 76,153	-		76,153
TOTAL OTHER FINANCING SOURCES (USES)	76,153	-	-	76,153
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	76,153	39,203	-	115,356
FUND BALANCE - JULY 1	380,765	52,209	-	432,974
FUND BALANCE - JUNE 30	<u>\$ 456,918</u>	<u>\$ 91,412</u>	<u>\$ -</u>	<u>\$ 548,330</u>

DECKERVILLE COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2007

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2006</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>
GENERAL FUND ACTIVITIES:				
Annual	\$ 3,572			\$ 1,957
Band	50			53
Board of Education	644			650
Board members	26			93
Book deposit	-			-
Bookstore	293			374
Cheerleaders	1,056			1,323
Swimming pool	6,242			2,237
Petty cash	1,905			1,866
Shop supplies	111			144
Art	248			248
Science	316			316
Enrichment classes	30			420
Sale of supplies and used items	-			-
Field trips	-			-
Cheerleaders-Junior High	449			448
Copies and postage	-			-
Driver education	-			-
Vending machines	13,078			13,800
Interest	17,146			19,957
TOTAL GENERAL FUND	<u>45,166</u>	<u>\$ 53,676</u>	<u>\$ 54,956</u>	<u>43,886</u>
STUDENT ACTIVITIES:				
Band Boosters	9,328			14,465
Advanced program	1,821			1,821
Class of 2000	2,024			2,024
Class of 2001	808			808
Class of 2002	271			271
Class of 2003	945			945
Class of 2004	674			674
Class of 2005	154			239
Class of 2006	1,714			1,515
Class of 2007	3,429			337
Class of 2008	4,299			4,353
Class of 2009	4,552			5,343
Class of 2010	1,687			2,595
Class of 2011	2,862			2,774
Class of 2012	2,033			2,006

DECKERVILLE COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2007

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2006</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>
SCHOOL SERVICE ACTIVITIES (Continued):				
Baseball	\$ 687			\$ 2,631
Boys Basketball	1,433			1,440
Elementary Activities & Projects	1,805			745
Drama	3,279			3,305
Fifth Grade Economics Project	265			97
Girls Basketball	2,851			714
Greenfield Village Trip	6,268			7,396
Student Enrichment	1,594			1,594
Kindergarten Cookies	335			347
F.F.A.	1,408			1,408
Foods Class	72			153
High School Student Council	357			395
Volleyball	912			767
National Honor Society	3,681			4,105
Junior National Honor Society	472			472
T.L. Concession	31			31
Football	2,068			2,999
Close-up	9			9
Softball	1,218			487
S.A.D.D.	485			485
Bowling	454			1,066
Alternative Education	15			1
Physical Education Bowling	-			-
Equestrian Team	675			224
Internet	512			512
Mackinaw	608			395
Track	233			100
TOTAL STUDENT ACTIVITIES	<u>68,328</u>	<u>\$ 135,640</u>	<u>\$ 125,967</u>	<u>78,001</u>
TOTAL AGENCY FUNDS	<u><u>\$ 113,494</u></u>	<u><u>\$ 189,316</u></u>	<u><u>\$ 180,923</u></u>	<u><u>\$ 121,887</u></u>

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2004 REFUNDING BONDS
June 30, 2007

Purpose of Issue: Erecting, furnishing and equipping elementary and secondary school additions to and partially remodeling and partially re-equipping the building, acquiring, partially installing and equipping the facility for instructional technology; and developing and improving the site. The original bonds issued in 1995 were refinanced in March, 2004.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2007			\$ 17,977	\$ 17,977
5/1/2008	\$ 330,000	2.50	17,977	347,977
11/1/2008			13,852	13,852
5/1/2009	335,000	2.625	13,852	348,852
11/1/2009			9,455	9,455
5/1/2010	345,000	2.60	9,455	354,455
11/1/2010			4,970	4,970
5/1/2011	<u>355,000</u>	2.80	<u>4,970</u>	<u>359,970</u>
TOTAL	<u>\$ 1,365,000</u>		<u>\$ 92,508</u>	<u>\$ 1,457,508</u>

The bonds are not subject to optional redemption prior to maturity.

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2007

\$59,383 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
		2008	
\$ 3,305	\$ 865	2009	\$ 4,170
3,462	708	2010	4,170
3,627	543	2011	4,170
3,799	370	2012	4,169
20,733	7,285	2013	28,018
<u>\$ 34,926</u>	<u>\$ 9,771</u>		<u>\$ 44,697</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 15, 2007

To the Board of Education
Deckerville School District
Deckerville, MI 48427

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville District Schools' basic financial statements and have issued our report thereon dated August 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Deckerville District Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we considered to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2007-1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deckerville District Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Deckerville District Schools in a separate letter dated August 15, 2007.

Deckerville District Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Deckerville District Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 15, 2007

To the Board of Education
Deckerville School District
Deckerville, MI 48441

Schedule of Finding and Responses

Findings considered material weaknesses

Finding 2007-1

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Deckerville Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does not understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Client Response: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.